Grant Thornton
Abdulaal

An instinct for growth™

Grant Thornton
Abdulaal

Financial statements and independent auditors' report
Zawia 2 Owners Association
For the year ended 31 January 2017

Contents

General information

Association' number	:	78312501 obtained on 25 February 2016
Board of Directors	:	Khalid Al Bastaki - Chairman Abulaziz Noor - Vice Chairman Waleed Al Alwai - Director Renata Stec - Director Adel Dawood - Director Adel Al Awadi - Director Rehan Ahmed - Director
Registered office	:	Building 2040 Road 5717, Block 257 Amwaj, Kingdom of Bahrain
Banker	:	Bank of Bahrain and Kuwait
Auditors	:	Grant Thornton - Abdulaal P.O. Box 11175 12th Floor, Al Nakheel Tower Seef District, Kingdom of Bahrain

Grant Thornton
Abdulaal

Independent auditors' report

Grant Thornton - Abdulaal
PO Box: 11175
12th Floor, Al Nakheel Tower
Seef District, Kingdom of Bahrain

T (+973) 17 500188
F (+973) 17 500199
www.grantthornton.bh
C.R. No : 38883

To the Board of Directors
Zawia 2 Owners Association

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of **Zawia 2 Owners Association** (the "**Association**"), which comprise the statement of financial position as at 31 January 2017, and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Association as at 31 January 2017, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Association in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of the Management and the Board of Directors for the Financial Statements

The Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, and for such internal control as the Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Management is responsible for assessing the Association's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Management either intends to liquidate the Association or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Association's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Grant Thornton
Abdulaal

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.

- Conclude on the appropriateness of the Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Association's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Association to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Grant Thornton

Partner's Registration No. 30
17 September 2017
Manama, Kingdom of Bahrain

Statement of financial position

	Notes	31 January 2017	31 January 2016
		BD	BD
Assets			
Non-current assets			
Plant and equipment	3	**34,093**	**16,981**
Current assets			
Accounts and other receivables	4	58,442	51,790
Cash and cash equivalents	5	26,492	12,331
		84,934	**64,121**
Total assets		**119,027**	**81,102**
Equity and liabilities			
Equity			
Accumulated fund		**86,932**	**53,454**
Liabilities			
Current liabilities			
Accruals and other payables	6	**32,095**	**27,648**
Total equity and liabilities		**119,027**	**81,102**

These financial statements were approved by the Board of Directors on 17 September 2017 and signed on its behalf by:

Khalid Al Bastaki
Chairman

Abulaziz Noor
Vice Chairman

The accounting policies and the notes from pages 8 to 15 form an integral part of these financial statements.

Statement of comprehensive income

	Notes	Year ended 31 January 2017	Year ended 31 January 2016
		BD	BD
Income			
Service income	7	189,415	174,320
Other Income	8	9,060	10,514
		198,475	**184,834**
Expenditure			
General and administrative expenses	9	(157,888)	(155,241)
Depreciation	3	(7,109)	(3,265)
		(164,997)	**(158,506)**
Excess of income over expenditure for the year transferred to accumulated fund		**33,478**	**26,328**

These financial statements were approved by the Board of Directors on 17 September 2017 and signed on its behalf by:

Khalid Al Bastaki
Chairman

Abulaziz Noor
Vice Chairman

The accounting policies and the notes from pages 8 to 15 form an integral part of these financial statements.

Statement of changes in equity

	Accumulated fund
	BD
At 1 February 2015	27,126
Excess of income over expenditure for the year	26,328
At 31 January 2016	**53,454**
At 1 February 2016	53,454
Excess of income over expenditure for the year	33,478
At 31 January 2017	**86,932**

The accounting policies and the notes from pages 8 to 15 form an integral part of these financial statements.

Statement of cash flows

	Year ended 31 January 2017	Year ended 31 January 2016
	BD	BD
Operating activities		
Excess of income over expenditure for the year	33,478	26,328
Adjustments for:		
Depreciation	7,109	3,265
Operating profit before working capital changes	40,587	29,593
Changes in operating assets and liabilities:		
Change in accounts and other receivables	(6,652)	(22,249)
Change in accruals and other payables	4,447	(1,352)
Net cash generated from operating activities	**38,382**	**5,992**
Investing activities		
Purchase of plant and equipment	(24,221)	(11,742)
Net cash used in investing activities	**(24,221)**	**(11,742)**
Net change in cash and cash equivalents	14,161	(5,750)
Cash and cash equivalents, beginning of the year	12,331	18,081
Cash and cash equivalents, end of the year	**26,492**	**12,331**
Comprises:		
Cash in hand	11,401	8,965
Bank balances	15,091	3,366
	26,492	**12,331**

The accounting policies and the notes from pages 8 to 15 form an integral part of these financial statements.

Notes to the financial statements
31 January 2017

1. Organisation and activities

Zawia 2 Owners Association (the "Association ") is a non-for profit organisation registered in the Kingdom of Bahrain under registration number 78312501 obtained on 25 February 2016.

The Association is engaged in real estate activities with own or leased property.

The Association's registered office is situated in the Kingdom of Bahrain.

2. Summary of significant accounting policies

2.1 Basis of preparation

The Association's financial statements have been prepared on the basis of historical cost convention. The Association's financial statements are presented in Bahrain Dinar. All values are rounded to the nearest Bahrain Dinar.

2.2 Statement of compliance

The financial statements of the Association have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

2.3 Standards and amendments not yet effective

Certain new standards, amendments and interpretations to existing standards have been published and are expected to be relevant to the Association but are not yet effective and have not been adopted early by the Association.

- IFRS 9, "Financial Instruments" (effective for annual periods beginning on or after 1 January 2018); and

- IFRS 15, "Revenue from Contracts with Customers" (effective from annual periods beginning on or after 1 January 2018).

Management does not expect the above standards to have a material effect on the Association's financial position and results of its operations.

2.4 Plant and equipment

Items of plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses.

The cost of the plant and equipment includes the cost of bringing them to their present location and condition. The cost of replacing part of an item of plant and equipment is recognised in carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Association and its cost can be measured reliably. All other costs are recognised in the statement of comprehensive income as expenditure incurred.

Depreciation is recognised on a straight-line basis to write down the cost less estimated residual value of plant and equipment. The estimated useful lives of plant and equipment for the depreciation purpose are as follows:

Equipment	5 years
Furniture and fixtures	5 years
Landscaping	5 years

Gains or losses arising on the disposal of plant and equipment are determined as the difference between the disposal proceeds and the carrying amount of the assets and are recognised in the statement of comprehensive income within 'other income' or 'other expenses'.

If there is an indication that there has been a significant change in depreciation rate, useful life or residual value of an asset, the depreciation of that asset is revised prospectively to reflect the new expectations.

2.5 Impairment of assets

The carrying amounts of the Association's assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised when the carrying amount of an asset exceeds its estimated recoverable amount. The recoverable amount is higher of an asset's fair value less costs to sell and value in use. All impairment losses are recognised in the statement of comprehensive income. Impairment losses are reversed only if there is an indication that the impairment loss no longer exist and there has been a change in the estimates used to determine the recoverable amount.

2.6 Cash and cash equivalents

For the purpose of statement of cash flows, cash and cash equivalents comprise of cash in hand and bank balances.

2.7 Provisions

Provisions are recognised by considering an obligation of the Association as on date resulting from past events, and where it is probable that such obligation will result in outflow of economic resources and amount can be reliably estimated.

2.8 Revenue recognition

Revenue consists of service charges to the Association and is recognised on accrual basis.

2.9 Other income

Other income is recognised on an accrual basis or when the Association's right to receive payment is established.

2.10 Financial instruments

Financial assets and liabilities are recognized when the Association becomes a party to the contractual provisions of the financial instruments.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred.

A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

Financial assets and financial liabilities are measured initially at fair value plus transactions costs.

Financial assets and liabilities are measured subsequently as described below:

a. Financial assets

For the purpose of subsequent measurement, financial assets are classified into the following categories upon initial recognition:

Loans and receivables. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition these are measured at amortised cost using the effective interest method, less provision for impairment. Discounting is omitted where the effect of discounting is immaterial. The Association's cash and cash equivalents, accounts and other receivables all into this category of financial instruments.

b. Financial liabilities

Financial liabilities are measured subsequently at amortised cost using the effective interest method, except for financial liabilities held for trading or designated at fair value through profit or loss, that are carried subsequently at fair value with gains or losses recognised in the statement of comprehensive income. The Association's financial liabilities include accruals and other payables.

2.11 Significant accounting judgments and estimates

The Association's financial statements prepared under IFRS require the Association to make judgments and estimates that affect the amounts reported in the financial statements and related notes. Future events may occur which may cause the judgments and assumptions used in arriving at the estimates to change. The effects of any change in judgments and estimates are reflected in the Association's financial statements as they become reasonably determinable.

a. Use of estimates

The key assumptions concerning the future and other key sources of estimation uncertainty at the financial position date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Useful lives of depreciable assets. Management reviews the useful lives of depreciable assets at each reporting date. At 31 January 2017, management assesses that the useful lives represent the expected utility of the assets to the Association. The carrying amounts are analysed in Note 3. Actual results, however, may vary due to technical obsolescence.

3. Plant and equipment

	Equipment	Furniture and fixtures	Landscaping	2017 Total	2016 Total
	BD	BD	BD	BD	BD
Cost					
At 1 February	17,121	1,044	2,745	20,910	9,168
Additions	24,221	-	-	24,221	11,742
At 31 January	**41,342**	**1,044**	**2,745**	**45,131**	**20,910**
Accumulated depreciation					
At 1 February	2,952	242	735	3,929	664
Charge for the year	6,352	208	549	7,109	3,265
At 31 January	**9,304**	**450**	**1,284**	**11,038**	**3,929**
Net book value					
At 31 January 2017	**32,038**	**594**	**1,461**	**34,093**	-
At 31 January 2016	**14,169**	**802**	**2,010**	-	**16,981**

4. Accounts and other receivables

	2017	2016
	BD	BD
Accounts receivables	57,297	46,468
Advances to suppliers	600	4,835
Prepayments	545	487
	58,442	**51,790**

Accounts receivables include BD13,819 which is outstanding for more than 1 year, out of which BD12,139 is under litigation. However, management is of opinion that these receivables are fully recoverable and hence no provision has been made in these financial statements.

All other amounts are short term. The carrying value of accounts and other receivables are considered to be a reasonable approximate of fair value at the financial position date. The age of accounts and other receivables past due but not impaired is disclosed in Note 11e.

5. Cash and cash equivalents

	2017	2016
	BD	BD
Cash in hand	11,401	8,965
Bank balances	15,091	3,366
	26,492	**12,331**

There are no restrictions on bank balances at the time of approval of these financial statements.

Bank account with Bank of Bahrain and Kuwait in the amount of BD1,286 is in the name of two Directors and held for beneficial interest of the Association.

6. Accruals and other payables

	2017 BD	2016 BD
Accruals and other payables	32,095	25,677
Advances	-	1,971
	32,095	**27,648**

The carrying values of accruals and other payables are considered to be a reasonable approximate of fair values at the financial position date.

7. Service income

	2017 BD	2016 BD
Service income	170,637	153,084
Chillers income	18,578	20,366
Others	200	870
	189,415	**174,320**

8. Other income

	2017 BD	2016 BD
Rental income	**9,060**	**10,514**

Other income represents the rental income for the space given on rent to Nuetel Communications.

9. General and administrative expenses

	2017 BD	2016 BD
Electricity charges	74,469	76,683
Building maintenance expenses	59,064	58,172
Repairs and maintenance	19,893	13,788
Insurance	1,776	1,850
Legal and professional charges	1,300	3,613
Miscellaneous expenses	1,386	1,135
	157,888	**155,241**

10. Related parties transactions

The Association's related parties include its Directors, key management, their close relatives and businesses under their control. The Association's transactions with related parties are in the ordinary course of business. The balances with related parties at financial position date have been disclosed in the financial statements.

11. Financial assets and liabilities and risk management

The Association's principal financial instruments comprise of cash and cash equivalents, accounts and other receivables, accruals and other payables.

The Association does not actively engage in the trading of financial assets for speculative purposes nor does it write options.

The main risks arising from the Association's financial instruments are cash flow interest rate risk, liquidity risk, foreign currency risk and credit risk. The Board of Directors reviews and approves the policies for managing each of these risks, which are summarized below.

a. Interest rate risk

The Association's policy is to minimize cash flow interest rate risk exposures on long-term financing. The Association is not exposed to the risk for changes in market interest rates since the Association does not have interest bearing financial assets and financial liabilities.

b. Liquidity risk

Liquidity risk is the risk arising from the Association not being able to meet its obligations. The Association's objective is to maintain a balance between continuity of funding and flexibility through the use of cash and cash equivalents.

The following tables show the maturity profile of financial liabilities as at 31 January 2017:

Particulars	**Due within 1 year**
	BD
Accruals and other payables	**32,095**

The following tables show the maturity profile of financial liabilities as at 31 January 2016:

Particulars	**Due within 1 year**
	BD
Accruals and other payables	**25,677**

c. Foreign currency risk

The Association's primary exposure to the risk of changes in foreign currency relates to the transactional currency exposures. Such exposure arises when the transaction is denominated in currencies other than the functional currency of the operating unit or the counterparty.

The currency risk on foreign currencies is actively monitored by the Board of Directors. The Association's transactions are predominantly in Bahrain Dinars.

d. Credit risk

Credit risk is the risk that a counterparty fails to discharge an obligation to the Association. The Association trades only with recognized, creditworthy third parties.

The table below shows the gross maximum exposure to the Association's credit risk, without considering the effects of collateral, credit enhancements and other credit risk mitigation techniques as at 31 January:

	2017 BD	2016 BD
Accounts and other receivables	57,297	46,468
Bank balances	15,091	3,366
	72,388	**49,834**

e. Credit quality per class of financial asset

The Association continuously monitors defaults of customers and other counterparties, identified either individually or by group, and incorporate this information into its credit risk controls.

Where available at reasonable cost, external credit ratings and/or reports other counterparties are obtained and used. The Association's policy is to deal only with creditworthy counterparties.

The Association's management considers that all the above financial assets that are past due but not impaired for each of the reporting dates under review are of good credit quality.

The table below shows the age analysis of the Association's financial assets as at 31 January 2017:

Particulars	**Neither past due nor impaired** BD	**Past due but not impaired more than 1 year** BD	**Total** BD
Accounts and other receivables	43,478	13,819	57,297
Bank balances	15,091	-	15,091
	58,569	**13,819**	**72,388**

The table below shows the age analysis of the Association's financial assets as at 31 January 2016:

Particulars	**Neither past due nor impaired** BD	**Past due but not impaired more than 1 year** BD	**Total** BD
Accounts and other receivables	33,303	13,165	46,468
Bank balances	3,366	-	3,366
	36,669	**13,165**	**49,834**

12. Capital management policy

The primary objective of the Association's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize Association's value.

The Association monitors capital using capital to overall financing ratio, which is capital divided by overall financing.

	2017 BD	2016 BD
Accumulated fund	86,932	53,454
Less: Cash and cash equivalents	(26,492)	(12,331)
Capital	**60,440**	**41,123**
Accumulated fund	86,932	53,454
Overall financing	**86,932**	**53,454**
Capital to overall financing ratio	**0.69**	**0.77**

13. Post-reporting date events

No adjusting or significant non-adjusting events have occurred between the reporting date and the date of authorization.

14. Comparative figures

Comparative figures for the previous year have been reclassified/re-arranged wherever necessary to conform to the presentation in the current year's financial statements.